

20 April, 2011

Company Announcements  
Australian Securities Exchange  
Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam

**CHAIRMAN AND MANAGING DIRECTOR'S ADDRESSES TO SHAREHOLDERS**

Attached are the Chairman's and Managing Director's addresses to be delivered to the AGM of Ludowici Limited today 20 April, 2011 commencing at 3.00pm.

Yours sincerely



Stephen Gaffney  
**Company Secretary**

Attachment

20 April, 2011

Dear Shareholder

Here follows my address and the Managing Director's address for delivery at today's Annual General Meeting.

**Chairman's Address 2011 AGM  
Ludowici Limited**

It is my pleasure to welcome shareholders to Ludowici's 119<sup>th</sup> AGM being held in the company's 153<sup>rd</sup> year of operation and in Sydney for the first time since 2008. 2010 has proved to be a great year for your company with record revenues and after tax operating profit more than doubling to \$11.6m. As reported in the Annual Report, in 2010 Ludowici delivered a result which broke most financial records in the company's long history.

The strong improvement in the operating performance of Ludowici was driven by both organic growth supported by improved efficiency and by a substantial contribution made by the acquired Johnsons Screens Mining businesses. I was particularly pleased with the effective integration program to align the Johnson's business with Ludowici's operations and systems which released synergies of approximately \$2.1m pre-tax over the year.

As you are aware, Ludowici issued 6 million new shares in late 2009 and early 2010 to partly fund the acquisition of the Johnson Screens Mining business. At the time of issuing the shares, we indicated that it was the Directors' expectation that this acquisition would be immediately Earnings per Share (EPS) accretive and I am pleased to report that this was in fact the case with EPS increasing strongly to 44.8 cents per share.

A further acquisition at the end of 2010 of Rojan Advanced Ceramics, will broaden Ludowici's product offering to the mineral processing and related industries and as with the Johnson's acquisition, the integration process, including the development of growth opportunities has been encouraging to date. There is a current focus on rolling out Rojan to the global market through our operations.

Further information on operational improvements and the strategic implications of recent acquisitions will be discussed in more detail in the Managing Director's address.

Reducing our net debt has been a key focus of the Board and senior management over the past few years. This of course is not only sound business practice but in our case provides us with a funding source for future expansion opportunities. Whilst in absolute terms our debt level has increased by 12.5% over the past 2 years our debt to debt plus equity ratio has declined from 38.7% to 34.1% during a period when the company expended \$35 million on acquisitions.

All in all I believe that your company is developing a track record of delivering improving business performance and identifying and executing value adding acquisitions.

Over the past 4 years Ludowici has continued to focus on developing its mineral processing business with an emphasis on preferentially growing sales of consumables associated with this segment. It is my belief that Ludowici's strong market position in both the mineral processing capital equipment market and growing consumables capability gives the company an advantage over a number of our competitors. Ludowici's global footprint is also more extensive than most others in this industry. The company is well positioned servicing the strongly growing global coal and copper processing markets and has significant capabilities to increase market share in a number of other mineral processing markets.

In terms of market outlook, the general view is that the mineral processing market will be strong for some time and Ludowici's high level of quoting activity would support this hypothesis. The final sign off on a number of new projects has been slightly slower than expected resulting in some delay in converting enquiries to orders however it is our current belief that new project flow will increase over the coming months. 2010 got off to a slowish start in January/February but trading performance in March has returned to normal. Orders and enquiries in the pipeline would indicate that 2011 will at least be as strong as 2010. The cautionary note in our business is the strength of the Australian dollar applying pressure on local manufacture and depreciating earnings from countries with a weakening currency.

As previously advised, the final dividend for 2010 is 10 cents per share and is fully franked. The total ordinary dividends paid for the year is 20 cents per share, an increase of 67% on last year. With increased profitability of the Australian business we are hopeful that future dividends will continue to be franked.

The Board would like to record our appreciation of the efforts of our CEO Patrick Largier and indeed all employees of Ludowici for their efforts and success in driving improvements in the company in 2010. We are encouraged by the continued improvement in the performance of Ludowici as well as the success to date in integrating the recently acquired businesses and believe that the company is well positioned to deliver further improved performance.

Thank you

## **Managing Director's Address 2011 AGM – Ludowici Limited**

Thank you Phil and good afternoon ladies and gentlemen. It is my pleasure to present my Managing Director's report for Ludowici for 2010

Today I would like to give you some additional insight into how Ludowici performed last year, the strategic initiatives that were undertaken and to update shareholders on progress and activities for 2011.

As indicated in the Chairman's address, we were pleased with Ludowici's improved operational performance in 2010. It is not often that a Managing Director has the privilege of reporting a doubling on profit from underlying earnings over the year. I am particularly pleased by the way the profits were increased. Approximately 34% of the increase was driven by organic growth and operational improvements. The balance of the improvement resulted from the acquisition of the Johnsons Screens Mining business and the synergies that the company released as a result of reducing duplication of activities following the Johnson Screens acquisition.

In 2010 Ludowici grew revenues by an impressive 36% over 2009 with around three quarters this increase coming from the JS Mining acquisition. The remaining 25% came from organic growth. The gross margin in 2010 increased to 33% of sales which is towards the upper end of Ludowici's historical gross margin range. A new record for EBIT was also achieved in 2010 with a 98% increase bringing EBIT to \$19.5m. The EBIT to sales ratio was 8.8% which was a good improvement on the previous year's 6.0% figure but still short of my aspirational target of 10% of sales.

The main engine behind Ludowici's strong 2010 performance was the Australian business. Australia was the largest beneficiary of the Johnsons Mining acquisition and the majority of the synergies were released in Australia. Leaving aside the benefits of the Johnsons Screen acquisition, the estimated organic revenue growth of our business in Australia was approximately 15% as a result of strong domestic sales and some significant exports of equipment from Brisbane to China. It is our expectation that in future a greater proportion of equipment destined for China will be built in Ludowici's Chinese factory and a lesser amount in Australia. These increased sales were supported by improving business operational efficiency and supply chain management. The combination of the above factors resulted in Australian profitability increasing by over three and a half times. This increased Australian profitability has led directly to the resumption of franking credits with the 2010 Final dividend.

Both Ludowici's North and South American businesses were beneficiaries of the Johnsons Screens acquisition and both these businesses enjoyed revenue growth with the Latin American business growing revenue by over 80% and North America by approximately 60%. Over the past year we have been active in opening or expanding new service centres in the Americas with new facilities in Tucson in Arizona and Arequipa in Peru and expansion of our facility in Antofagasta. The North American business nearly doubled operating profit in US dollar terms however the Latin American business delivered a reduction in profitability in 2010. This reduction in profits was as a result of a poor market for capital equipment in 2010 and a change in product mix towards somewhat lower gross margin products. We expect and are already seeing an improvement in market conditions for capital equipment in Latin America in 2011.

Ludowici's smaller three businesses consisting of China, India and Africa had mixed results. China delivered an improved profit while India and Africa generated losses during the year. The losses in India were caused by the costs flowing from the commissioning of our new factory in Chennai towards the end of 2010. These additional commissioning costs have flowed through into the first quarter of 2011 but we expect the Chennai factory and the Indian business to improve performance as 2011 unfolds and ultimately to become a substantial profit centre for the Ludowici Group. The African business has been the focus of remedial activity over the second half of 2010 to address some of the weaknesses in the business. A new management team has been in place since October and we are already seeing a pleasing improvement in this business' performance. Africa is a huge and potentially extremely profitable market for Ludowici and we intend to continue to drive improvement and grow in our African business and if appropriate opportunities can be found, invest further in the African market. During 2010 we terminated an exclusive distribution agreement in China which will give us greater scope to grow our Chinese business and potentially capture a greater share of this growing market.

As indicated earlier a significant portion of Ludowici's increased profitability was a result of the acquisition of the Johnsons Mining business. Over 2010 the management and integration of this acquisition received a lot of attention in Ludowici. A full time integration project manager was seconded to this project with regional business general managers taking local responsibility for integration within their countries. We are very pleased with the results of this program, with the \$2.1m of synergy benefits being released ahead of schedule and with issues being dealt with effectively as they arose.

During the year, Ludowici concluded a further acquisition with the purchase of the Rojan advanced ceramics business in December 2010. This West Australian business, established in 1991, currently turns over approximately \$10m per annum and supplies advanced ceramic materials for high wear applications in the mineral processing and industrial markets. Rojan's customer proposition is to apply advanced material science to develop products that deliver end-users with extended wear life thus improving efficiencies and lowering operating costs for mineral processing and industrial processes. While Rojan already has sales in 25 different countries, these international sales form a relatively limited proportion of their revenue. Ludowici's strategy for Rojan is to use our global footprint to drive Rojan products into a much wider market and to work with Rojan to develop further new technologies and product applications. Over the past four months the implementation of this strategy has commenced and we are getting positive market feedback as various markets are visited by the Rojan team.

In April 2011 we acquired a small bolt-on acquisition for our Seals business in Melbourne. This acquisition gives Ludowici improved access to the industrial markets north of Melbourne and while small, will strengthen our Seals business.

We are continuing to work on a pipeline of acquisition and investment opportunities as we pursue our growth strategy of combining organic growth with targeted acquisitions to drive improvement of the company's profits. This growth strategy is supported by a plan to continue to improve operational efficiency and deliver further benefits from our global supply chain.

One of the strengths of Ludowici is that the company enjoys substantial market positions in both the mineral processing capital equipment market as well as the supply of

consumables that are used in mineral processing. Within the mix of capital equipment and consumables, the company's objective has been to increase the proportion of consumables sales. The percentage of consumables and spares sales is currently estimated at 60% of global sales.

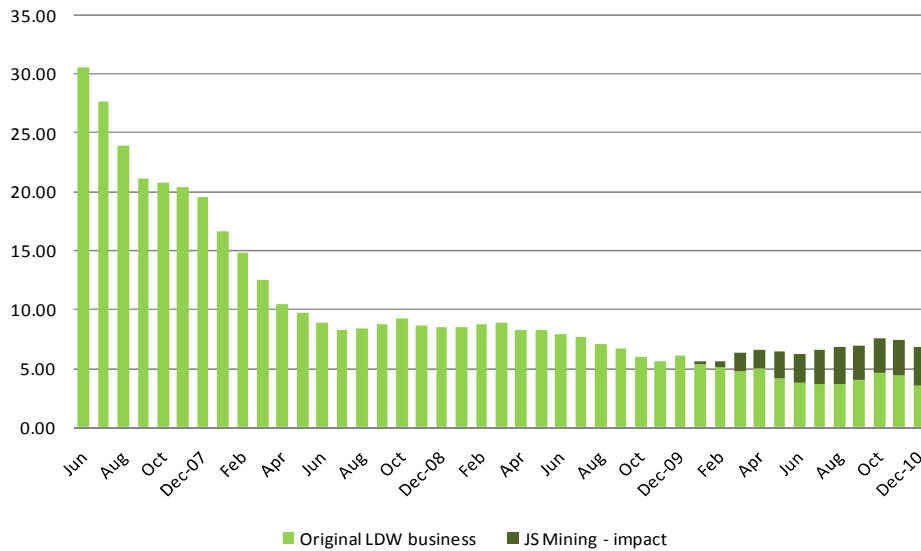
It is envisaged that a considerable portion of the future organic growth of the company will be derived from our international operations. Africa, North America, Latin America, China and India are all major mineral processing markets in their own right. My medium term goal is to develop each region to over \$20m per annum turnover. Both North and South America have already achieved this target and plans are being developed to get the other businesses to this size. The longer term strategy is to get all regions closer in size to Australian turnover.

Innovation is key to Ludowici's future to ensure that we are in a position to continue to offer our customers new ways of operating that will enhance their operational efficiency and improve their profitability. An example of this is the reflux classifier. At this time last year we had our first orders for the new 2020 Reflux Classifier. During 2010 we received a significant number of orders from around the world. In addition to these orders, the University of Newcastle and Ludowici won the Institute of Chemical Engineering "Core Chemical Engineering Award" in Manchester England in November 2010. This award recognises "the project or process that best demonstrates a chemical engineering solution to improve resource efficiency, lifetime value and/or process optimisation". In October 2010 the company won the Australian Latin American Business Excellence Award in Sydney and was also a finalist in two categories of the 2010 Queensland Export Awards.

While it is pleasing to receive external recognition of the company's innovation and business performance, we also need to protect the intellectual property developed by Ludowici. Towards the end of 2010 and continuing into 2011, the company has embarked on a program to enhance the protection of our intellectual property and has become more active in pursuing parties who may have violated Ludowici's intellectual property rights.

Improving safety at Ludowici remains a high priority for the Ludowici management team. As can be seen from the attached graph, we delivered mixed results for safety in 2010. On the positive side, we continued to deliver an improvement in the recordable case rate for the original Ludowici business (excluding the acquired Johnson Screens Mining businesses). Unfortunately one of the businesses acquired had a very different safety culture and had a substantial number of injuries during the year which resulted in an increase in the recordable case rate for the overall combined Ludowici business. Needless to say there has been a lot of activity focussed on bringing the level of injuries at this plant down and we are now starting to see the beginnings of improvement at this facility.

**LUDOWICI'S COMBINED RECORDABLE CASE RATE (RCR) - OSHA**  
12 Month rolling average.



Ludowici is fortunate to be operating in a buoyant mineral processing market and to be particularly exposed to strongly growing coal and copper industries. While 2011 has started more slowly than last year, we are expecting momentum to grow as the year progresses. We had reasonable strong performance in March and are enjoying a level of quoting activity. We are starting to see signs of new projects being released. Examples of this include a significant order from China in March and another new Australian project being awarded to Ludowici in April. Our current expectations remain that 2011 will be a stronger year than 2010 and that within 2011, the second half of the year will be stronger than the first half of the year.

In late January 2011, Stephen Gaffney joined Ludowici as Company Secretary and Chief Financial Officer. This is Stephen's first Annual General Meeting with Ludowici and I would like to welcome him to the company.

I would like to thank the whole Ludowici team for making this memorable year possible and for their ongoing support. Without the enthusiasm of the team and their determination I would not be reporting such pleasing results today. In addition I would like to thank the Board for their support for me and the company.

Thank you

Thank you

Phil Arnall  
Chairman